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Tight Inventories Limit Sales and Drive Up Prices Through First Half of 2018**

MADISON, Wis. — A strong economy and relatively low mortgage rates were not enough to offset the inventory squeeze in Wisconsin housing and as a result, home sales slipped and prices rose statewide, according to an analysis of the existing home market by the Wisconsin REALTORS[®] Association. Existing home sales fell 10.1 percent in June, relative to June 2017, and median prices rose 5.4 percent to \$195,000 over that same period. A review of the first six months of the year revealed that as a result of solid winter sales, home sales only dropped 3.1 percent compared to the first half of 2017. However, tight inventories throughout the year have pushed median prices up 5.9 percent to \$180,000 for the January to June period.

The statewide economy remains strong as job growth and the state labor force both increased over the past year. Jobs increased by 41,546, and the labor force grew by 27,997 workers. The seasonally adjusted unemployment rate stood at 2.9 percent in June, marking the fifth straight month in which the state jobless rate has been below 3 percent. Over the past 12 months, the state has added 17,600 manufacturing jobs.

“A strong economy and low mortgage rates have fueled demand, but supply remains tight,” said Peter Sveum, WRA chairman. The 30-year fixed mortgage rate has moved up over the last year, increasing from 3.90 percent in June of last year to 4.57 percent in June 2018. However, rates remain well below the levels during the 1990s and much of the 2000s. “It’s not mortgage rates that are keeping sales down, it’s the limited number of homes on the market,” said Sveum. Inventory levels declined from 6.0 months in June of last year to 4.9 months this past June, and they remain well below the six-month benchmark that is considered a balanced market. Regionally, the picture was mixed. “The more urbanized regions of the state had tighter inventory levels, whereas the more rural regions tended to be more buyer-friendly,” said Sveum. The Southeast, South Central, Northeast and West regions had between 4.2 and 5.2 months of available supply in June; the Central region had 5.9 months of inventory, and the North region was at 9.3 months.

“Not surprisingly, the tight inventory situation continues to push home prices up at a pace well above the rate of inflation,” said WRA President & CEO Michael Theo. The annual inflation rate has been at or above 2 percent since September of last year, and it has been steadily increasing all year, hitting 2.9 percent in June. The annual pace at which home prices have increased over the last nine months has ranged between 4.6 percent and 8.1 percent, and the median housing price increased 5.4 percent between June 2017 and June 2018. “This has eroded affordability,” said Theo. While Wisconsin housing remains more affordable than national indicators, there is no doubt it continues to decline. The Wisconsin Housing Affordability Index measures the percent of the median-priced home that a buyer with median family income qualifies to buy, assuming the buyer puts 20 percent down and finances the remaining balance at current rates through a 30-year fixed-rate mortgage. Wisconsin buyers could afford to buy 178 percent of the median-priced home, but this is down from 198 percent in June of last year. The most recent estimate of affordability at the national level by the National Association of REALTORS[®] put affordability at 160.2 in May.

“Inventories were particularly low for more moderately priced homes,” said Theo. A review of homes sold at different price points over the last 12 months reveals the tightest markets for homes selling below \$200,000. There were just 3.9 months of available supply in the \$125,000 to \$199,999 range, and inventories stood at 4.2 months for the lowest-priced homes, selling below \$125,000. Theo noted that despite the inventory challenges, there are still good opportunities in this market. “While it continues to be a seller’s market for homes below \$350,000, buyers are in the driver’s seat for prices above that point,” he said. Theo noted that the ideal situation is for those buyers trading up, since they can sell in a seller’s market, and buy in a market with more supply. “Regardless of the price point, using a REALTOR[®] who is experienced is still the key to success in this hot market,” said Theo.

**** A previously undetected coding error falsely indicated inventory improvements in both June and July. These errors have been corrected, and this release as well as the July 2018 release have been revised to reflect those corrections. We apologize for any inconveniences.**

The Wisconsin REALTORS[®] Association is one of the largest trade associations in the state, representing over 15,700 real estate brokers, salespeople and affiliates statewide. All county figures on sales volume and median prices are compiled by the Wisconsin REALTORS[®] Association and are not seasonally adjusted. Median prices are only computed if the county recorded at least 10 home sales in the quarter. All data collected by Wisconsin REALTORS[®] Association are subject to revision if more complete data become available. Beginning in 2010, all historical sales volume and median price data at the county level have been re-benchmarked using the Techmark system, which accesses MLS data directly and in real time. The Wisconsin Housing Affordability Index is updated monthly with the most recent data on median housing prices, mortgage rates and estimated median family income data for Wisconsin. Data on state foreclosure activity is compiled by Dr. Russ Kashian at the University of Wisconsin at Whitewater.